

Message Text

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15

ACTION EA-09

INFO OCT-01 ISO-00 XMB-02 SP-02 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00

SSO-00 NSCE-00 FEA-01 ACDA-05 CIAE-00 INR-07 IO-10

L-03 NSAE-00 NRC-05 OES-03 DODE-00 ERDA-05 INRE-00

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC IMMEDIATE 8339

C O N F I D E N T I A L MANILA 14259

PASS EXIM BANK AND COMMERCE

E.O. 11652: GDS

TAGS: ENRG, RP

SUBJECT: PHILIPPINE NUCLEAR POWER PROJECT

1. EXECUTIVE SECRETARY ALEX MELCHOR TELEPHONED ME MORNING 9 OCTOBER TO REPORT ON STATUS PHILIPPINE NEGOTIATIONS IN WASHINGTON FOR FINANCING OF WESTINGHOUSE NUCLEAR POWER PLANT. ACCORDING MELCHOR, GOP HAS ACCEPTED EXIM TERMS WHICH INCLUDE 8 1/2 PERCENT INTEREST, 45/45 RATIO BETWEEN DIRECT AND GUARANTEED LOANS, AND CAPITALIZATION OF INTEREST ON ONE HALF CONSTRUCTION COSTS.

2. MELCHOR SAYS THESE TERMS, COUPLED WITH EXIM WILLINGNESS COVER ESSENTIALLY ALL U.S. EXPORT COSTS, WILL RESULT IN REQUIREMENT FOR \$275 MILLION FINANCING BY PRIVATE BANKING CONSORTIUM. HOWEVER, PRIVATE CONSORTIUM, WHICH HAD EARLIER INDICATED PREPAREDNESS COVER GREATER PERCENTAGE OF COSTS, CURRENTLY STATES THAT IT CAN ASSURE FULL COVERAGE OF ONLY \$200 MILLION AND WILL HAVE TO LIMIT ITSELF TO MAKING "BEST EFFECT" TO COVER REMAINING \$75 MILLION.

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3. IT WOULD SEEM MOST UNFORTUNATE IF THIS TRANSACTION, WHICH INVOLVES U.S. EXPORT SALES OVER \$500 MILLION, SHOULD COLLAPSE BECAUSE BANKING CONSORTIUM UNWILLING EXTEND ITSELF FOR ADDITIONAL \$75 MILLION. FIRST NATIONAL CITY BANK OF NEW YORK, WHICH IS LEAD BANK IN THIS CONSORTIUM, HAS MANY MULTIPLES OF THIS EXPOSURE IN PHILIPPINES AND OUGHT TO BE SUSCEPTIBLE TO U.S. GOVERNMENT PERSUASION TO MAKE ADDITIONAL EFFORT ON MATTER IN WHICH USG AND GOP HAVE INVESTED SO MUCH EFFORT AND CONCERN.

4. I UNDERSTAND TERRY ARNOLD IS LEAVING WASHINGTON 9 OCTOBER WASHINGTON TIME AND HOPE THIS MESSAGE ARRIVES IN TIME FOR HIM TO MAKE PERSONAL INTERVENTION WITH APPROPRIATE BANKERS. HE HAS FULL BACKGROUND AND CAN BE MOST HELPFUL. IN ANY EVENT, AND EVEN IF ARNOLD HAS DEPARTED, I WOULD URGE EDMOND OR OTHER SENIOR DEPARTMENT OFFICIAL TO WEIGH IN TO GET THIS MATTER SUCCESSFULLY CONSUMMATED.

5. I WOULD APPRECIATE IMMEDIATE REPORT ON STATUS OF TRANSACTION, INCLUDING ACTIONS WHICH DEPARTMENT CONSIDERS APPROPRIATE AND ESTIMATED RESULTS.

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Message Attributes

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Margaret P. Grafeld
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